

California Board of Accountancy

Summer 1999 ★ Issue No. 42



H. E. Mikkelsen, CPA
President

President's Message

A well-known industrialist once said, "A company is known by the people it keeps." This is an adage we like to apply to the California Board of Accountancy.

In fact, this Board emphasizes customer service through accountability and responsiveness. The staff members are dedicated to providing the best possible service to consumers, licensees, and examination candidates. Every day we receive dozens of telephone calls from consumers asking for licensee status checks, dozens more asking for information about continuing education requirements and other aspects of license renewal, and many, many more inquiries from exam candidates requesting information and application forms.

During the month of April 1999, Licensing Program staff received approximately 170 inquiries by e-mail; including requests regarding the examination, initial licensing, and license renewal information. All inquiries received responses within five working days. In addition, our Web page master received and responded to more than 40 inquiries regarding information posted on our Web page. This inquiry rate has been consistent since January of this year.

Our facsimile machines are also kept extremely busy during the examination application periods. Generally, we receive up to 40 faxes a day for several weeks during this time. Soon, candidates wishing to apply for the examination will be able to do so on-line through our Web site, and this format should make it more convenient both for the applicant and the Board's staff.

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To help licensees retain important information, we are now featuring all issues of **UPDATE** since 1998 on our Web site at www.dca.ca.gov/cba. This means that for the first time, the Board's disciplinary actions, as published in **UPDATE**, are now on-line. This is just one of our efforts to make important consumer protection information available.

As part of our work ethic at the Board, we respond to all correspondence received either by U.S. mail or facsimile within ten working days. All e-mails are answered within five working days. When a complaint is filed against a licensee, enforcement staff will immediately notify the complainant by mail that the Board has received the complaint. In all instances, every effort is made to provide the most accurate, up-to-date, and pertinent information possible, in a constant quest to improve communication with all of our stakeholders.

There is no substitute for paying close attention to the needs and wishes of all we serve. Constant, focused, responsive communication is one of the ways in which we fulfill our mission of consumer protection.



*H.E. Mikkelsen, CPA
President*

Mission Statement

The mission of the Board of Accountancy is to protect the public welfare by ensuring that only qualified persons are licensed and that appropriate standards of competency and practice are established and enforced.

It is the vision of the Board of Accountancy to become the premier regulatory agency that operates with maximum efficiency, fosters continuous quality improvement, and provides exemplary consumer protection while recognizing the changing consumer demographics and nature of services provided by licensed professionals.

Vision Statement

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News to You

*Issues of Interest
to the Consumer
and
to the Practitioner*

Sunset Review Deadline to be Extended

A bill before the Legislature proposes to extend this Board's sunset date by one year. Senate Bill 1306 by the Senate Business and Professions Committee also would give the Board a one-year extension to submit its Sunset Review Report. If this bill passes and becomes law, the extension will give the Board and other interested individuals more time to consider the Uniform Accountancy Act.

Proposed Regulation on Client Notification

The Board has approved and scheduled for hearing a proposed regulation implementing a new requirement for licensees to notify their clients they are licensed by the state. This requirement is contained in Business and Professions Code Section 138, a law enacted in 1998. The proposed regulation provides licensees with several options for notifying their clients. Please see the regulation hearing notice and text of the proposed regulation in this issue of **UPDATE**.

1999-2000 Strategic Plan

As required by current law, the Board has updated its Strategic Plan and has submitted it for approval to the Governor's Office and the Department of Finance.

The plan is a blueprint for accomplishing the Board's mission of consumer protection with all of the resources it can reasonably expect to be available. The state government budget process requires that all resource requests be consistent with the key goals and objectives in an organization's strategic plan.

May 1999 CPA Examination

The Uniform CPA Examination was held May 5 and 6, 1999, in Pleasanton, Pomona, Sacramento, and San Diego. While 7,984 candidates were scheduled to take the exam, 6,676 candidates actually sat for it. California also examined 88 candidates as a courtesy to other states.

The Board continues to take assertive action to affirm its zero-tolerance policy of cheating during the examination. The Board's most recent strategy included expanding the seating arrangement to one candidate per table at its San Diego site. In all instances in which cheating is confirmed and substantiated, the Board takes aggressive action both to protect the consumer and uphold the integrity of the administration of the Uniform CPA Examination.

Outdated Name Style Regulations to be Repealed

A previous issue of **UPDATE** reported that Section 5060 of the Accountancy Act has been revised to state that no firm may practice public accountancy under a name that is false or misleading. With this new statute in place, the Board determined at its March 20, 1999, meeting that existing regulations related to name styles are no longer needed. The regulation hearing notice in this issue of **UPDATE** provides for the repeal of these regulations.

CVAS Contract Funded by Board

The contract for the Board to provide funding assistance to the Clearinghouse for Volunteer Accounting Services (CVAS) has received final approval. The special funding was authorized by legislation enacted in 1998. CVAS is a nonprofit organization that matches volunteer CPAs with small nonprofit and public benefit organizations that need accounting assistance. Additional information about CVAS is available by telephoning (805) 295-8912.

What's New at www.dca.ca.gov/cba



The Board of Accountancy's informational Web site continues to grow. In an effort to ensure ease of navigation, we have modified the page slightly, including an index page. This "welcome" page lists the information by categories: Of Interest to the Consumer, Of Importance to the Licensee, and Of Importance to the CPA Candidate.

As you browse the index page, you will notice we have added information and features. We have included an Examination Information and Schedule page with extensive information for the CPA candidate, a publication page that includes access to all **UPDATEs** from 1998 to

current (in PDF format). We also have a new page, Obtaining Forms from the CBA, that includes the Change of Address form, and we have added a new page to include the Board's Manual of Disciplinary Guidelines and Model Disciplinary Orders.

In addition, we have revised many of our current pages. You will now find links to provider Web sites on the Clarifying the Professional Conduct and Ethics Course Requirement page, portions of the Governor's Budget as it relates to the Board on the About the Board of Accountancy page, and a How To Contact Us page which includes e-mail addresses, replacing the Telephone Directory page.

The announcement, **COMING SOON** On-Line Exam Application,

alerts the user to our on-going project to streamline the exam application process. Additional information about this project will be included in the next issue of **UPDATE**.

As we work to make the Board's Web site a valuable, "user friendly" resource, we have identified a considerable amount of information we will add over the next several months. Your comments and suggestions are always welcome. Please feel free to send an e-mail to Ms. Holly Hansen, our Web Page Master, at pagemaster@cba.ca.gov. ❖

Policy of Nondiscrimination on the Basis of Disability and Equal Employment Opportunity

The California Board of Accountancy does not discriminate on the basis of disability in employment or in the admission and access to its programs and activities.

An Americans with Disabilities Act (ADA) Coordinator has been designated to coordinate and carry out this agency's compliance with the nondiscrimination requirements of Title II of the ADA. Information concerning the provisions of the ADA, and the rights provided thereunder, is available from:

ADA Coordinator
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, California 95815-3832

Top Five Disciplinary Issues

An often-heard comment from readers of **UPDATE** is, “The first section I turn to is the Disciplinary Actions.” A recent series of articles in **UPDATE** addressed the disciplinary process itself and focused on the administrative aspects of discipline. This article discusses the underlying acts leading to discipline.

Understandably, licensees are interested in knowing what type of conduct causes the Board to administer disciplinary action. What sort of conduct will lead to revocation? Can a license be revoked for inadvertent actions, such as errors on a tax return or omissions in conducting an audit?

The Disciplinary Actions published in **UPDATE** from Issue #26 (Winter/Spring 1995) to Issue #41 (Spring 1999) included more than 140 separate cases. Of these, at least 90 resulted in license revocation, while more than 50 were stipulated settlements placing the licensee on probation.

Certain types of violations emerge as being more common than others. For example the top five violations resulting in license revocation are:

1. Conviction of a crime substantially related to public accountancy.
2. Violation of probationary terms.
3. Gross negligence in the practice of public accountancy.
4. Willful violation of Board rules or regulations.
5. Fiscal dishonesty.

Convictions:

Nearly 29% of the cases ending in revocation involved convictions for crimes substantially related to public accountancy, such as grand theft, conspiracy, fraud, and filing false income tax returns.

Violation of Probation:

While the majority of licensees placed on probation in lieu of revocation successfully complete their probationary periods and have their licenses fully restored, approximately 17% of the published revocations resulted from licensees’ failures to adhere to probationary settlement terms previously negotiated with the Board in lieu of license revocation.

Gross Negligence:

Material departures from applicable standards of practice were a significant cause of disciplinary actions, comprising nearly 14% of the published revocations. While the subject matter of the underlying engagements varies, well over half of such engagements were for audited financial statements.

Of more than 50 disciplinary matters settled via stipulation, approximately 58% involved substandard audits, making this the most common subject of disciplinary action.

Willful Violations:

Business and Professions Code Section 5100 (f) provides that the Board may discipline a licensee for any willful violation of Board rules or regulations. Approximately 14% of the published revocations resulted from willful violations, such as failure to appear before the Administrative Committee or failure to respond to Board inquiries.

Fiscal Dishonesty:

Approximately 11% of the published revocation actions involved fiscal dishonesty by licensees. Cases in this category do not involve conviction of an underlying crime and therefore differ from those described in the Convictions section in this article. The acts comprising fiscal dishonesty in these revocation actions included theft of money from clients or employers, as well as fraudulent investment activities.

Conclusion:

The published record of recent disciplinary actions shows that the likelihood of a licensee “accidentally” losing his or her license is remote. Generally, knowing and willful egregious conduct is most likely to result in revocation, as are repeated acts of misconduct, such as violations of probationary terms or willful violations of Board directives. Errors by a licensee that are inadvertent but nonetheless result in departures from professional standards, will usually result in a stipulated disciplinary settlement, short of revocation. ❖

Committee Member Appointments

The Board is pleased to announce that six new appointments have been made to fill vacancies on the Qualifications and Report Quality Monitoring Committees for the remainder of 1999. The appointments were adopted by the Board at its March 20, 1999, meeting in Culver City.

Here are the new appointees:

QUALIFICATIONS COMMITTEE

SEFTON BOYARS, CPA

HAMID KABANI, CPA

ROBERT C. PROVINCE, CPA

MICHAEL L. WILLIAMS, CPA

REPORT QUALITY MONITORING COMMITTEE

JAMES BABCOCK, CPA

DONALD J. SNYDER, CPA

The Board is beginning the committee recruitment process for the year 2000. Please see the adjacent article for specific information regarding technical skills required, time involved, and the requisite application process to become a member of one of the Board's three advisory committees. ❖

Your Service is Requested: Appointment Opportunities to Board Advisory Committees

Applications and resumés requested no later than September 5, 1999.

The Board is seeking licensees of diversified backgrounds who have the technical skills, the interest, and the time to become members of one of the Board's advisory committees for the year 2000. Serving as a committee member is an opportunity to participate actively in the regulation of the accountancy profession and to become an integral part of an organization challenged to provide consumer protection amidst changing consumer demographics and the evolving nature of the profession. It benefits the consumer and the profession; it also is excellent preparation for those who might seek appointment as a Board member.

Committee appointments are for a term of one year; appointed individuals may serve a maximum of eight terms. Committee members receive a *per diem* of \$100 for each day spent in the discharge of official duties and are reimbursed under state policies for travel and other expenses incurred in the performance of committee duties. Meetings are held in both Northern and Southern California; most appointments generally require a commitment of between 6 to 12 days annually.

The Board is currently requesting applications for the Administrative Committee, the Qualifications Committee, and the Report Quality Monitoring Committee. Each committee's activities and required time commitments are as follows:

ADMINISTRATIVE COMMITTEE

The Administrative Committee assists the Board in its enforcement activities by receiving and investigating complaints against licensees. The committee monitors enforcement investigations, conducts investigative hearings and may recommend a course of action upon the conclusion of investigations. The committee is limited by statute to a membership of 13 licensees. It meets approximately six times annually, for one or two days each meeting. The annual commitment for members is approximately 9 to 12 days.

(Please see Your Service is Requested, continued on page 7)

Your Service is Requested (continued from page 6)

QUALIFICATIONS COMMITTEE

The Qualifications Committee assists the Board in its licensure activities by reviewing the experience of applicants for licensure and making recommendations to the Board. This responsibility includes initiating and conducting work paper reviews, with the applicant or the employer present, to verify that the responses provided are reflective of the requisite experience for licensure.

The Qualifications Committee currently is composed of 21 CPAs who have expertise in the preparation of both audit and review reports. The committee meets five times annually, generally for two days each meeting.

REPORT QUALITY MONITORING COMMITTEE

The Report Quality Monitoring Committee promotes professional competence by selectively reviewing licensees' compliance with accepted reporting and accounting standards, thereby protecting the public interest. The committee is responsible for requesting financial reports of a random sample of licensees to evaluate the degree to which accounting and reporting standards are met. It also recommends appropriate education to licensees when financial reports are below an acceptable rating. It also is responsible for apprising the Board of the results of the practice monitoring, and making recommendations in the spirit of fostering professional competence.

The Report Quality Monitoring Committee is composed of 25 licensed professionals who:

- Have expertise in reporting standards and generally accepted accounting principles, as validated by a review of one of their reports.
- Represent the special knowledge necessary to review the variety of reports that are submitted.
- Represent both large and small firms, to provide a spectrum of experience. Committee members also are selected to ensure the equitable representation of both the northern and southern parts of the state.

This committee meets 10 to 12 times annually, generally for one day each meeting.

APPLICATION PROCESS

An interested licensee should send a letter of intent indicating the committee of interest, as well as a resumé or *curriculum vitae*, including the CPA license number. To determine if a conflict of interest exists, it is important that applicants include an outline of duties and responsibilities to any society or organization of which the licensee is a member. Please mail your application and resumé to:

Carol Sigmann, Executive Officer
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

Application packages must be received no later than September 5, 1999.

An applicant requesting appointment to a Board advisory committee must have been actively licensed to practice public accounting for a minimum of two months prior to the appointment, and there must be no pending enforcement actions against the licensee. Candidates will also be assessed on Board report, work paper or continuing education reviews.

Each committee chair will interview qualified applicants and make recommendations to the Vice President of the Board. If an applicant is recommended for appointment, the name will be placed on the agenda for adoption by the Board at the next scheduled Board meeting. Most committee appointments are made at the November meeting.

Applicants with questions about committee responsibilities, committee member qualifications, or the appointment process may telephone Ms. Theresa Siepert of the Board's staff at (916) 263-3979. ❖

Meeting Your PC&E Course Requirement

Since January 1, 1998, Professional Conduct and Ethics (PC&E) continuing education has been required for all active practitioner license renewals. This eight-hour course provides information on the provisions of the current Accountancy Act, the Board of Accountancy regulations, and other rules of professional conduct.

The completion of the PC&E requirement is being phased in over a six-year period. According to the timetable, one-third of the licensee population will meet the requirement in a specified two-year period, based upon the last two digits of the CPA/PA license number.

- Currently, practitioners whose license numbers end in the “01-33” range are required to have completed the initial PC&E course by their license renewal date in 1998 or 1999.
- The next licensee group’s license number ends in the “34-66” range, and they must meet the PC&E requirement by their license renewal date in 2000 or 2001, as applicable.
- The third licensee group’s license number ends in the “67-00” range, and they must meet the PC&E requirement by their license renewal date in 2002 or 2003, as applicable.

Please remember that only Board-approved courses satisfy the requirement.

A current list of Board-approved courses is available on the Board’s Web site at www.dca.ca.gov/cba. This list is also available by faxing a request to (916) 263-3672 or by telephoning Ms. Solé Chaney of the Board staff at (916) 263-3935. ❖

What Happens When a License is Cancelled?

Did you know:

- Failure to renew for a period of five years will result in a license being cancelled?
- A cancelled license cannot be renewed, restored or reinstated?

After the first renewal notice and the delinquent notice are mailed, you will no longer automatically receive notices to renew. However, as long as your address remains current on our records, you will be mailed a notification one year prior to cancellation of the license.

After your license is cancelled if you wish to return to the practice of public accounting, you will be required to apply for a new Certified Public Accountant certificate and to meet all requirements in effect at the time of application.

Remember, it is the licensee’s responsibility to know the expiration date of the license. A license expires at midnight of the last day of the birth month, during the second year of a two-year term, if not renewed. To renew an expired license, you must complete the renewal application and submit it with all past renewal and delinquent fees. If renewing “active,” the 80 hours of continuing education must be completed. It is permissible to include an already-completed Professional Conduct and Ethics course taken within the requisite time period.

If your license is cancelled, you may contact the Board office and request information about forms for reissuance. If you are unsure about your renewal date, you may also contact the Board office for this information. The telephone numbers you need are included in the Board of Accountancy Directory on the back cover of this **UPDATE**. ❖

How Regulations are Adopted, Amended, or Repealed

You may have noticed that Regulation Notices frequently appear in **UPDATE**. Publishing this notice is one of several steps the Board must complete to adopt, amend, or repeal its regulations. Because many licensees are not aware of the other steps involved, here is an overview of what is entailed in promulgating a regulation. All steps of the process are governed by detailed laws:

1. The process begins when a new law is enacted that requires new regulations, or when the Board adopts a policy change or recommendation which requires that regulations be enacted.
2. The Board approves proposed regulatory language and schedules a public hearing. On occasion, Steps 1 and 2 occur at the same Board meeting.
3. The Board publishes a notice in **UPDATE** and in the Office of Administrative Law's *California Regulatory Notice Register* announcing the time and place of the public hearing and indicating where written comments may be sent. The notice contains a summary of the proposed regulation and other information required by law. The text of the proposed regulation is also published in **UPDATE** so that all licensees are aware of the proposal and have an opportunity to comment on it. The law requires that the notice be published at least 45 days before the close of the public comment period and the scheduled public hearing.
4. The Board holds the public hearing and receives comments from interested members of the public. After the hearing, the Board generally votes to formally adopt proposed regulatory language. Often the Board adopts the language that was published in **UPDATE**, but sometimes the Board adopts a revised version of the language.
5. If the Board adopts revised language, the new language must be sent to all who commented on the proposal or who requested to be notified. These individuals have 15 days in which to provide additional comments. Sometimes the language is revised more than once, and this process must be repeated.
6. Board staff prepare the rulemaking file, which contains the final regulatory language, detailed justifications, responses to comments, and related documents in a format consistent with the legal requirements.
7. The rulemaking file is submitted to the Department of Consumer Affairs, which has 30 days in which to complete its review.
8. The rulemaking file is then submitted to the Office of Administrative Law which conducts a review to determine if the regulatory language meets legal requirements and if the Board followed procedures correctly. The Office of Administrative Law has 30 business days in which to complete this final review. If the file is approved, the regulation is filed with the Secretary of State.
9. The regulation generally goes into effect 30 days after filing with the Secretary of State, unless the agency requests, and can show the need for, a different effective date. The effective date is often nine months to one year after the proposed regulation is approved by the Board (Step 2). **UPDATE** informs licensees when new regulations go into effect, and the text of current regulations is available on the Board's Web site.

All of the Accountancy Act Regulations are available on-line through our home page at www.dca.ca.gov/cba. ❖

Regulation Notice

TITLE 16. BOARD OF ACCOUNTANCY

NOTICE IS HEREBY GIVEN that the Board of Accountancy is proposing to take the action described in the Informative Digest. Any interested person may present statements or arguments orally or in writing relevant to the action proposed at a hearing to be held at the Continental Plaza Hotel – LAX, 9750 Airport Blvd. Los Angeles, CA 90045 on September 17, 1999, at 11:00 a.m. Written comments must be received by the Board at its office no later than 5:00 p.m. on September 16, 1999, or must be received by the Board at the hearing. If submitted at the hearing, it is requested, although not required, that 20 copies be made available for distribution to Board members and staff. The Board, upon its own motion or at the instance of any interested party, may thereafter adopt the proposal substantially as described below or may modify the proposal if the modifications are sufficiently related to the original text. With the exception of technical or grammatical changes, for 15 days prior to its adoption, the full text of any modified proposal will be available from the person designated in this notice as the contact person and will be mailed to those persons who submit written or oral testimony related to this proposal or who have requested notification of any changes in the proposal.

Authority and Reference: Pursuant to the authority vested by Business and Professions Code Sections 5010, 5018, 5060, 5157, and 5081.1, and to implement, interpret or make specific Sections 138, 5010, 5018, 5055, 5059, 5060, 5073, 5075, 5081, 5081.1, 5084, 5121, and 5153 of the Business and Professions Code and Section 13409 of the Government Code, the Board of Accountancy is considering changes to Division 1 of Title 16 of the California Code of Regulations as follows:

INFORMATIVE DIGEST/PLAIN ENGLISH POLICY STATEMENT OVERVIEW

1. Amend Section 9 of Division 1 of Title 16 of the California Code of Regulations.

Business and Professions Code Section 5010 authorizes the Board to adopt regulations for the orderly administration of the Accountancy Act. Business and Professions Code Section 5081.1 provides educational requirements for an applicant for the examination.

Current Section 9 specifies the evidence of educational qualifications an exam candidate must provide. This proposal updates and reorganizes Section 9 to specify current educational requirements and to achieve consistency with revisions to Business and Professions Code Section 5081.1 (Chapter 872, Statutes of 1998).

The objective of this proposal is to revise Section 9 to more clearly specify the current educational requirements for candidates for the examination.

2. Adopt Section 9.1 of Division 1 of Title 16 of the California Code of Regulations.

Business and Professions Code Section 5010 authorizes the Board to adopt regulations for the orderly administration of the Accountancy Act. Business and Professions Code Section 5081.1 (Chapter 872, Statutes of 1998) requires the Board to adopt regulations specifying the criteria and procedures for approval of credential evaluation services.

Approved credential evaluation services are used by the Board to evaluate the equivalency of foreign education completed by examination candidates. This proposal would adopt Section 9.1 to specify, in

regulations, the criteria and procedures utilized by the Board in approving credential evaluation services.

The objective of this proposal is to comply with the requirements of Business and Professions Code Section 5081.1 (Chapter 872, Statutes of 1998) by establishing a regulation specifying the criteria and procedures utilized by the Board when approving credential evaluation services. This regulation will help ensure the maintenance of high standards for the approval of credential evaluation services.

3. Adopt Section 50 of Division 1 of Title 16 of the California Code of Regulations.

Business and Professions Code Section 5010 authorizes the Board to adopt, amend, or repeal regulations for the orderly administration of the Accountancy Act. Business and Professions Code Section 138 (Chapter 879, Statutes of 1998) requires licensing boards within the Department of Consumer affairs to adopt a regulation to require each licensee to provide notice to his or her clients that the practitioner is licensed by the state.

This proposal would adopt Section 50 to comply with the requirements of Business and Professions Code Section 138.

The objective of this proposal is to comply with the requirements of Business and Professions Code Section 138 by providing licensees with a number of different options for client notification.

4. Repeal Sections 66, 66.1, and 66.2 of Division 1 of Title 16 of the California Code of Regulations.

Business and Professions Code Section 5010 authorizes the Board to adopt, amend, or repeal such regulations as may be necessary for the orderly

(Please see Regulation Notice, continued on page 11)

administration of the Accountancy Act. Business and Professions Code Section 5018 authorizes the Board to prescribe, amend, or repeal regulations related to rules of professional conduct. Business and Professions Code Sections 5059, 5075, and 5153 related to firm names and firm registration have been repealed (Chapter 878, Statutes of 1998). Business and Professions Code Section 5060 has been amended to prohibit the practice of public accountancy under a firm name that is false or misleading (Chapter 878, Statutes of 1998).

Current Sections 66, 66.1, and 66.2 implement Business and Professions Code Sections 5059, 5075, and 5153 and specify rules for accountancy firm names. This proposal would repeal these sections.

The objective of this proposal is to make the Board's regulations consistent with statutory changes enacted in 1998 (Chapter 878, Statutes of 1998) and to simplify the requirements for accountancy firm names.

5. Amend Section 67 of Division 1 of Title 16 of the California Code of Regulations.

Business and Professions Code Section 5010 authorizes the Board to adopt, amend, or repeal such regulations as may be necessary for the orderly administration of the Accountancy Act. Section 5018 authorizes the Board to prescribe, amend, or repeal regulations related to rules of professional conduct. Business and Professions Code Section 5060 (Chapter 878, Statutes of 1998) prohibits the practice of public accountancy under a firm name that is false or misleading, authorizes the use of fictitious names by sole proprietors, and authorizes the Board to adopt implementing regulations.

Current Section 67 provides for fictitious names. This proposal would update Section 67 for consistency with Business and Professions Code Section 5060 and would add an expiration date for fictitious names.

The objective of this proposal is to revise Section 67 for improved program administration and for consistency with Business and Professions Code Section 5060 (Chapter 878, Statutes of 1998).

FISCAL IMPACT ESTIMATES

- Fiscal Impact on Public Agencies Including Costs or Savings to State Agencies or Costs/Savings in Federal Funding to the State: None.
- Nondiscretionary Costs/Savings to Local Agencies: None.
- Local Mandate: None.
- Cost to Any Local Agency or School District: None.
- Business Impact: The Board of Accountancy has determined that the proposed regulatory action would have no significant adverse economic impact on California business enterprises and individuals, including the ability of California businesses to compete with businesses in other states.

- Impact on Jobs/New Businesses: The Board of Accountancy has determined that this regulatory proposal will not have a significant impact on the creation or elimination of jobs within the State of California, the creation of new businesses or the elimination of existing businesses within the State of California, or the expansion of businesses currently doing business within the State of California.
- Cost Impact on Private Persons or Entities: Insignificant.
- Housing Costs: None.

PLAIN ENGLISH REQUIREMENT

The Board of Accountancy has determined that the proposed regulations would affect small businesses. The express terms of the proposed action written in plain English are available from the agency contact person named in this notice.

CONSIDERATION OF ALTERNATIVES

The Board must determine that no alternative which it considered would be either more effective than or as effective as and less burdensome on affected private persons than the proposal described in this notice.

Any interested person may present statements or arguments orally or in writing relevant to the above determinations at the previously-mentioned hearing.

STATEMENT OF REASONS AND INFORMATION

The Board has prepared a statement of reasons for the proposed action and has available all the information upon which the proposal is based.

TEXT OF PROPOSAL

Copies of the exact language of the proposed regulations and of the statement of reasons and other information, if any, may be obtained at the hearing or, prior to the hearing, upon request from the Regulations Coordinator, Board of Accountancy, 2000 Evergreen Street, Suite 250, Sacramento, California 95815.

CONTACT PERSON

Inquiries concerning the proposed administrative action may be addressed to Aronna Granick, Regulations Coordinator, at the above address, or by telephone at (916) 263-3788.

(Please see Regulation Notice, continued on page 12)

TEXT OF THE PROPOSAL

Section 9. Evidence of Educational Qualifications Requirements.

~~(a) Each applicant must present evidence satisfactory to the board~~ satisfactory evidence that he or she meets the requirements set forth in Section 5081.1 of the Business and Professions Code. Satisfactory evidence as to educational qualifications will usually shall take the form of certified transcripts, or photostats thereof, of the applicant's high school and/or college record; which should accompany the application. However, however, in unusual circumstances the board will may accept such other evidence as it deems appropriate and reasonably conclusive. For foreign education, in addition to certified transcripts of the applicant's college record, satisfactory evidence usually takes the form of an evaluation of educational credentials by a credentials evaluation service approved by the Board pursuant to Section 9.1.

For purposes of Business and Professions Code Sections 5081.1 and 5084, one quarter unit is equivalent to 2/3 of one semester unit.

(a) To qualify under the provisions of Section 5081.1(a), an applicant shall complete 45 semester units or the equivalent, including at least 10 semester units of audit and accounting subjects. The remaining 35 semester units may include additional accounting, auditing, or other business-related subjects such as economics, management, finance, business administration, marketing, computer science, law, business communications, mathematics, tax, and statistics.

(b) To qualify under the provisions of Section 5081.1(b), an applicant must have successfully completed shall complete 120 semester units or the equivalent, including 45 semester units of accounting and related subjects, as described in subsection (a) to qualify under the provisions of 5081.1(b).

(c) The 45 semester hours required under Section 5081.1(a) shall include at least 10 semester hours or the equivalent thereof in accounting subjects, no more than 6 semester hours or the equivalent thereof in commercial law and data processing and no more than 3 semester hours each, or the equivalent thereof, in business communication and mathematics of finance.

(d) For purposes of Business and Professions Code Sections 5081-5081.1 and 5084, one quarter unit is equivalent to 2/3 of one semester unit.

(e)(c) To qualify under the provisions of Section 5081.1(c):

(1) an applicant shall complete foreign education that is equivalent to the education required by subsection (b) or foreign and US education that, in combination, is equivalent to subsection (b); or Graduates of foreign schools may be admitted to the examination under Section 5081.1(c) or based upon an evaluation of educational credentials by advisory evaluation services specified by the board.

(2) an applicant shall pass by passing a board-approved preliminary written examination as specified in Section 5081.1(c) of the Business and Professions Code and complete 10 semester units of audit and accounting subjects.

Section 9.1. Approved Credential Evaluation Service Status.

(a) To receive and to maintain Board approval, a credentials evaluation service shall:

(1) Be a member of the American Association of Collegiate Registrars and Admission Officers, the National Association of Foreign Student Affairs, or the National Association of Credential Evaluation Services;

(2) Furnish the Board with a copy of its current written procedure for identifying fraudulent transcripts, and comply with that procedure;

(3) Maintain a complete set of reference materials as specified by the Board;

(4) Furnish the Board with biographical information on evaluators and translators, including a list of languages spoken and years in service. The service shall have at least one senior staff member with not less than five years of foreign student college admission experience or closely related credential evaluation experience at all academic levels;

(5) Furnish the Board with its organization chart showing that the ratio of senior staff members to junior staff members is, at most, one to five, and shall not exceed that ratio;

(6) Furnish the Board with written evidence that a minimum of 50% of the evaluations performed by junior staff members are reviewed by senior staff members, and shall maintain at least that minimum;

(7) Furnish the Board with statistical information on the number of applications processed annually for the past five years;

(8) Furnish the Board with a list of at least three accredited colleges and universities or other licensing agencies using its services;

(9) Furnish the Board with three letters of reference, written within the last year, from public or private agencies;

(10) Furnish the Board with a copy of its appeal procedure for applicants, and comply with that procedure;

(11) Furnish evaluations to the Board that comply with the requirements of this section.

(b) Each evaluation provided by the Board-approved service shall:

(1) Affirm in a written statement that the evaluation is based only upon authenticated, original transcripts and degrees;

(2) Be furnished directly to the Board, in English;

(3) Include a report of each degree held by the applicant, along with the equivalent degree offered in the United States, the date the degree was granted, and the institution granting the degree;

(4) Include a listing of the course titles, with the semester unit equivalent for each course.

(c) The credentials evaluation service shall report to the Board annually whether it has undergone any organizational changes. Approval issued under this section shall expire five years after the date of issuance unless renewed by the Board prior to its expiration by meeting the requirements in subsection

(a). Approval may be withdrawn at any time if the

(Please see Regulation Notice, continued on page 13)

credentials evaluation service fails to comply with any of the requirements of this section.

Section 50. Client Notification.

Every licensee engaged in the practice of public accountancy shall provide notice to the licensee's clients of the fact that the licensee is licensed by the Board of Accountancy. Notice shall be provided by any of the following methods:

(a) Displaying his or her certificate of licensure issued by the Board in the office or the public area of the premises where the licensee provides the licensed service.

(b) Providing a statement to each client to be signed and dated by the client and retained in that person's records that states the client understands the person is licensed by the Board of Accountancy.

(c) Including a statement that the licensee is licensed by the Board of Accountancy either on letterhead or on a contract for services where the notice is placed immediately above the signature line for the client in at least 12-point type.

(d) Posting a notice in a public area of the premises where the licensee provides the licensed services, in at least 48-point type, that states the named licensee is licensed by the Board of Accountancy.

(e) Any other method of written notice, including a written notice that is electronically transmitted, which is reasonably calculated to be received by the licensee's clients.

NOTE: Authority cited: Sections 5010 and 5018, Business and Professions Code. Reference: Section 138, Business and Professions Code.

Section 66. Plural Designations:

A certified public accountant or a public accountant in practice as an individual shall not use a firm name which includes plural terms such as "and Company" or "and Associates," unless he or she maintains a full-time professional staff consisting of a licensee or an employee or assistant as described in Section 5053 of the Accountancy Act. An individual practitioner shall not use the plural designations "Certified Public Accountants" or "Public Accountants."

NOTE: Authority cited: Sections 5010 and 5018, Business and Professions Code. Reference: Sections 5073 and 5075, Business and Professions Code.

Section 66.1. Name of Accountancy Corporation:

(a) The name of an accountancy corporation shall be subject to the restrictions contained in Section 5153 of the Business and Professions Code.

(b) The words "Certified Public Accountant" or the abbreviation "CPA" shall not be used in the title of the corporation unless at least one shareholder is a certified public accountant of this state in good standing or has applied for a certificate as a certified public accountant

under the provisions of Business and Professions Code Sections 5087 or 5088. The remaining shareholders may be Public Accountants of this state in good standing.

(c) An accountancy corporation shall not render professional services using a name other than that which is stated in its Certificate of Registration.

(d) An accountancy corporation which has only one shareholder shall not render professional services under a firm name which includes plural terms such as "and Company" or "and Associates" unless the corporation employs a full-time professional staff, other than the shareholder, consisting of at least one licensee and an employee or assistant as described in Section 5053 of the Accountancy Act, or consisting of two or more licensees.

(e) An accountancy corporation which has only one shareholder shall not render professional services under a firm name which includes a plural designation such as "Certified Public Accountants" or "Public Accountants."

NOTE: Authority cited: Sections 5010, 5018 and 5157, Business and Professions Code. Reference: Sections 5055, 5121 and 5153, Business and Professions Code; and Section 13409, Corporations Code.

Section 66.2. Name of Successor Firm Having One Owner:

(a) Upon approval by the board, a certified public accountant or public accountant in practice as an individual or as a sole shareholder accountancy corporation may, as the successor to a firm having more than one owner when one owner dies, practice under the name or a modified name of the predecessor firm. After two years, the practitioner may no longer practice under such name unless the firm acquires an additional owner or unless the firm's name is amended to include the phrase "a sole proprietor," "a sole practitioner," or "a sole shareholder corporation."

NOTE: Authority cited: Section 5010, 5018 and 5157, Business and Professions Code. Reference: Section 5010, 5018, 5059 and 5153, Business and Professions Code.

Section 67. Approval of Use of Fictitious Name.

No permit holder shall practice as a principal under a name other than his or her own name until No sole proprietor may practice under a name other than the name set forth on his or her permit to practice, unless such name has been registered with the board Board. and approved by the Board as not being false or misleading. Any registration issued under this section shall expire five years after the date of issuance, unless renewed prior to its expiration.

NOTE: Authority cited: Sections 5010, and 5018, and 5060, Business and Professions Code. Reference: Sections 5010 and 5018- Section 5060, Business and Professions Code. ❖

Disciplinary Actions and Standard Probationary Terms

When the Board receives a complaint, an investigation is conducted. Information regarding a complaint generally is gathered by staff Investigative CPAs, often accompanied by a licensee's appearance before the Board's Administrative Committee. In some cases, information is gathered by the Department of Consumer Affairs' Division of Investigation. Following this investigation or for other reasons, a recommendation is made either to close the case for lack of evidence, or to refer the matter to the Attorney General for review and possible preparation of an accusation against the licensee or a statement of issues relating to the applicant.

The Board may revoke, suspend, or impose probation for violation of applicable statutes or regulations. In addition to any case-specific terms of probation, the standard probationary terms include:

- Obey all federal, California, other state, and local laws, including those rules relating to the practice of public accountancy in California.
- Submit within 10 days of completion of the quarter, written reports to the Board on a form obtained from the Board. The respondent shall submit, under penalty of perjury, such other written reports, declarations, and verification of actions as are required. These declarations shall contain statements relative to respondent's compliance with all the terms and conditions of probation. Respondent shall immediately execute all release of information forms as may be required by the Board or its representatives.
- During the period of probation, appear in person at interviews or meetings as directed by the Board or its designated representative, provided such notification is accomplished in a timely manner.
- Comply with the terms and conditions of the probation imposed by the Board and cooperate fully with representatives of the Board in its monitoring and investigation of the respondent's compliance with probation terms and conditions.
- Be subject to, and permit a "practice investigation" of the respondent's professional practice. Such a "practice investigation" shall be conducted by representatives of the Board, provided notification of such review is accomplished in a timely manner.
- Comply with all final orders resulting from citations issued by the California Board of Accountancy.
- In the event respondent should leave California to reside or practice outside this state, respondent must notify the Board in writing of the dates of departure and return. Periods of non-California residency or practice outside the state shall not apply to reduction of the probationary period, or of any suspension. No obligation imposed herein, including requirements to file written reports, reimburse the Board costs, or make restitution to consumers, shall be suspended or otherwise affected by such periods of out-of-state residency or practice, except at the written direction of the Board.
- If respondent violates probation in any respect, the Board, after giving respondent notice and an opportunity to be heard, may revoke probation and carry out the disciplinary order that was stayed. If an accusation or a petition to revoke probation is filed against respondent during probation, the Board shall have continuing jurisdiction until the matter is final, and the period of probation shall be extended until the matter is final.
- Upon successful completion of probation, respondent's license will be fully restored.

If charges are filed against a licensee, a hearing may be held before an independent administrative law judge who submits a proposed decision to be considered by the Board of Accountancy, or the matter may be settled. The Board may either accept the proposed decision or decide the matter itself.

Copies of the accusations, decisions, and settlements regarding any of these disciplinary actions are available by sending a written request to: California Board of Accountancy, Attention: Disciplinary Actions, 2000 Evergreen Street, Suite 250, Sacramento, CA 95815-3832. Please state the licensee's name and license number, and allow approximately three weeks for each request.

Board Actions 4/25/99 Through 6/25/99

Revocation of CPA Certificate

Name	Cause for Discipline	Code Violation(s) Charged
BROMBERG, CLAYTON A. Woodland Hills, CA (CPA 36630) Revocation of CPA Certificate, via default decision. Effective April 25, 1999	Respondent pleaded guilty in Ventura Superior Court on March 24, 1998, to seven felony counts of grand theft and making false statements in a sale of securities that was conducted without the permission of the California State Commissioner of Corporations. The underlying facts included the licensee's participation in a scheme to defraud an individual accountancy client and two life insurance companies. The licensee also failed to inform the Board in writing within 30 days of a change of address.	Business and Professions Code, Division 3, Chapter 1, §§ 5100 (a), (c), (h), (j), and 490. California Code of Regulations, Title 16, Division 1, § 3.
STEIN, MICHAEL DANIEL Riverside, CA (CPA 24016) Revocation of CPA Certificate, via default decision. Effective April 25, 1999	While on probation, Respondent violated the terms of his probation in that he failed to do the following: submit written reports, make personal appearances, cooperate with probation monitoring, and make cost recovery reimbursement payments.	Respondent violated terms 2, 3, 4, and 10 of the Stipulation Decision and Order effective August 28, 1997.
TRUEX, ANTHONY J. Port Hueneme, CA (CPA 15636) Revocation of CPA Certificate, via stipulated settlement. Effective June 19, 1999	<p>For purposes of settlement, Respondent admits he was convicted in Orange County Superior Court of willfully and unlawfully taking personal property of another. The circumstances surrounding the conviction are that Respondent prepared and signed two federal tax returns with the specific intent of defrauding another person. Respondent prepared and signed the two federal returns during March and April 1993 while his license was in "inactive" status. Each return displayed the designation "CPA" behind the licensee's signature.</p> <p>The Respondent had also been convicted in the United States District Court of conspiracy and aiding and abetting extortion. The circumstances surrounding the conviction are that Respondent prepared documents used to set up a shell corporation that was then used to pay a bribe for the purpose of obtaining a business loan.</p>	Business and Professions Code, Division 3, Chapter 1, §§ 5050, 5055, 5100 (a).

(Continued on page 16)

Other Board Actions 4/25/99 Through 6/25/99

Name	Cause for Board Action	Code Violation(s) Charged
CRANE, GARY E. Oroville, CA (CPA 14377) Revocation stayed with three years probation, via stipulated settlement. Effective April 25, 1999 Respondent shall not engage in auditing services unless those services are monitored by a CPA approved by the Board prior to commencing such engagement. Respondent shall bear the cost of such monitoring. Respondent shall complete 24 hours of continuing education (CE) in accounting or auditing for nonprofit organizations. This CE shall be in addition to the minimum required for continued licensure. Respondent shall reimburse Board for costs of investigation and prosecution. Other standard terms and conditions.	Respondent performed an audit engagement for a nonprofit entity for the year ended December 31, 1996. The engagement exhibited departures from applicable professional standards in the auditor's report, the working papers, and the related financial statements.	Business and Professions Code, Division 3, Chapter 1, §§ 5100 (c) and 5062.
KENNEY, CHARLES E. San Pablo, CA (CPA 14630) Revocation stayed with five years probation, via stipulated settlement. Effective June 25, 1999 Respondent shall provide restitution to his client and reimburse the Board for costs of investigation and prosecution.	For purposes of settlement, Respondent does not admit but does not further contest the Board's allegations that Respondent solicited and received \$60,000 from a client pursuant to an oral agreement in which respondent was to invest the money and provide the client with a 20 percent return to be paid quarterly to the client. Instead, Respondent wrote checks to himself for his own personal and professional expenses. Additionally, it was alleged that Respondent prepared income tax returns for the 1995 tax year in which he overstated business expense deductions for an entity that he owned and controlled.	Business and Professions Code, Division 3, Chapter 1, §§ 5100 (h), (i), and (j).
LAWRENCE, WILLIAM E. Salinas, CA (CPA 9169) Surrender of certificate, via stipulated settlement. Effective June 19, 1999	Accusation AC-98-27 alleges Respondent began failing to prepare federal and state income tax returns on behalf of several long-standing clients, who annually provided him with their tax records with the understanding that he would prepare their income tax returns. The accusation further alleges that when the clients became aware of the fact that no income tax returns had been prepared or filed on their behalf and requested return of their personal records from the Respondent, he repeatedly failed to respond to these requests without admitting the allegations, respondent agreed to surrender his certificate.	Business and Professions Code, Division 3, Chapter 1, §§ 5037 (b), 5100 (c) and 5100 (f), California Code of Regulations, Title 16, Division 1, § 3.

(Continued on page 17)

Other Board Actions 4/25/99 Through 6/25/99

Name	Cause for Board Action	Code Violation(s) Charged
OWEN, JANICE L. Westlake Village, CA (CPA 14012) Revocation stayed with three years probation, via stipulated settlement. Effective April 25, 1999 Respondent shall participate in a community service program as directed by the Board and reimburse the Board for its costs of investigation and enforcement.	Respondent failed to prepare the 1995 and 1996 income tax returns for a client's estate prior to the final tax deadlines, causing the estate's representatives to engage another accountant to prepare and file the returns. Respondent retained the 1995 and 1996 tax records of the client's estate, despite demands from the representatives of the estate. Respondent returned the records only after being issued a subpoena by the Department of Consumer Affairs, Division of Investigation. Respondent used the title "CPA" during a period in which her license was expired.	Business and Professions Code, Division 3, Chapter 1, §§ 5037, 5055, 5100 (c), and 5100 (f). California Code of Regulations, Title 16, Division 1, § 68.

Appeal of Citation and Fine Before an Administrative Law Judge

Name	Cause for Board Action	Code Violation(s) Charged
HOUSE, STEVEN MICHAEL Sacramento, CA (CPA 46621) Citation sustained, Mr. House was fined \$1,500 via proposed decision. Effective May 6, 1998	During the period of November 1995 through August 14, 1996, Steven Michael House withheld client records.	California Code of Regulations, Title 16, Division 1, § 68.

Disciplinary Terminology

Effective Decision Date

The date the disciplinary action goes into operation.

Probation

The licensee may continue to practice under specific terms and conditions.

Revocation or Revoked

The right to practice is ended.

Stayed

The revocation or suspension is postponed.

Suspension

The licensee is prohibited from practicing for a specified period of time.

Surrender of License

The licensee turns in the license while charges are still pending. The right to practice is ended. Surrender also may require certain conditions to be met should the practitioner ever choose to reapply for licensure.

Future Board Meetings

July 15-16, 1999
U. S. Grant Hotel
326 Broadway
San Diego, California 92101

September 16-17, 1999
Continental Plaza – LAX
9750 Airport Boulevard
Los Angeles, California 90045

November 18-19, 1999
Radisson Miyako Hotel
1625 Post Street
San Francisco, California 94115

*Board meetings are open to the public.
Licensees are encouraged to attend.
For further information, please call the Board
office at (916) 263-3680*

Information

Each issue of **UPDATE** contains important information about the public accounting profession, including notices of proposed hearings on regulation changes, Board and committee meetings, proposed new regulatory language, and topical information about enforcement, examination, licensure, and continuing education issues. For ease of reference, we suggest that after you receive and read **UPDATE**, you place these issues in your professional library.

Future Committee Meetings

Administrative Committee

August 26, 1999
Radisson Miyako Hotel
1625 Post Street
San Francisco, California 94115

November 3-4, 1999
Radisson Hotel Harbor View
1646 Front Street
San Diego, California 92101

Report Quality Monitoring Committee

September 1, 1999
Burbank Airport Hilton
2500 Hollywood Way
Burbank, California 91505

Qualifications Committee

August 25-26, 1999
Double Tree Hotel
Orange County Airport
3050 Bristol Street
Costa Mesa, California 92626

October 20-21, 1999
Hanalai Hotel San Diego
2270 Hotel Circle North
San Diego, California 92108

January 12-13, 2000
Radisson Miyako Hotel
1625 Post Street
San Francisco, California 94115

Address *Change* Form

Please **Print** only one character per space — maximum 30 characters per line. A separate change of address form must be submitted for each license type.

Individual (CPA/PA) ☐ Lic. No. _____ Partnership ☐ Lic. No. _____

Corporation ☐ Lic. No. _____ Fictitious Name ☐ No. _____

Name of Licensee

or

Name of Firm

Last First Middle

Business Name

Address of Record

Be advised that your address of record is public information, and all Board correspondence will be sent to this address.

Home ☐ Business ☐
(check one)

Business Name (if different from name above)

Street Apt. or Suite #

City State Zip

Other Address

Complete this section only when the address of record is a mail drop or a Post Office Box.

Home ☐ Business ☐
(check one)

Street Apt. or Suite #

City State Zip

Daytime Phone _____
Area Code

Date of Birth _____
Mo. Day Year

I certify the truth and accuracy of all of these statements and representations.

Signature of Licensee,
Licensed Partner, or
Licensed Shareholder _____

Date _____

Print your name _____

A licensee who fails to notify the Board of Accountancy within 30 days of a change in his/her address of record may be subject to citation and fine (fines ranging from \$100–\$1,000) under the California Code of Regulations, Title 16, Division 1, Sections 3 and 95.2.

The Board maintains a list of all licensees. This list is sold to requestors for mailing list purposes. Check here **only** if you do **not** want your name included on this list. ☐

Mail to: Board of Accountancy, 2000 Evergreen Street, Suite 250, Sacramento, CA 95815-3832 or
FAX to: (916) 263-3675

